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NOV 29 2007

PUBLIC SERVICE
 COMMISSION

TRANSMITTAL LETTER

To: Beth O'Donnell, Exec. Director
 Public Service Commission
 P.O. Box 615
 Frankfort, KY 40602

Date: November 27, 2007

RE: West Daviess County Water District
 West Louisville Community Elevated Water
 Storage Tank
 PSC Case No. 2007-00339

We are sending you: Attached/Enclosed Federal Express
 Hand Delivered Faxed

The following items:

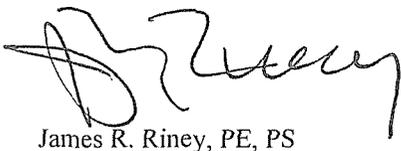
- Plans Specifications Technical Drawing
- Survey Plat Description Requested Information
- Drainage Information Statement Shop Drawings

<u>Item No.</u>	<u>Number of Copies</u>	<u>Description</u>
1	1	Duly signed KIA Loan Commitment Letter dated November 19, 2007 with KIA Attachment 'A'

Transmittal Information Forwarded:

- For your review/comment
- For your information
- For your use
- For your approval
- Per your request
- For signature
- For your file
- For your action
- Approved as submitted
- Approved as noted
- Returned for revisions
- Additional information requested
- Discuss with me

Comments:



James R. Riney, PE, PS

Copy: Bill Higdon w/attachments
 James D. Rice/PSC

November 19, 2007

Mr. A.M. Thompson, Chairman
West Daviess County Water District
3400 Bittel Road
Owensboro, Kentucky 42301

**KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNMENTAL AGENCIES PROGRAM
CONDITIONAL LOAN COMMITMENT C07-03**

Dear Mr. Thompson:

The Kentucky Infrastructure Authority (the "Authority") commends your efforts to improve public service facilities in your community. On November 1, 2007 the Authority approved your loan for water system improvements subject to the conditions stated below. The total cost of the project shall not exceed \$1,378,708 of which the Authority loan shall provide up to \$1,173,708. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project amount applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An assistance agreement will be executed between the Authority and the West Daviess County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter November 19, 2008 will be allowed for you to meet the conditions set forth in this letter and enter into an assistance agreement. A one-time extension up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the assistance agreement.

The assistance agreement and this commitment shall be subject, but not limited to the following terms:

1. The Authority project loan shall not exceed \$1,173,708.
2. The loan shall bear interest at the rate of 3.0% per annum commencing with

the first draw of funds.

3. The loan shall be repaid over a period of five (5) years from the date of project completion.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due monthly and shall taken electronically from an account specified by the borrower on the first business day of each month and thereafter until the loan is repaid.
6. A loan servicing fee of two-tenths of one percent of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the assistance agreement as project costs are incurred.
8. The final assistance agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the assistance agreement or incorporated in the assistance agreement. Any required documentation shall be provided directly to the Authority.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable

state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

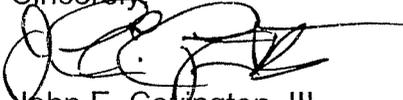
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided to the Authority prior to the pre-closing of the Authority loan and disbursement of the loan moneys. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported to the Authority and cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed. This shall be reviewed and approved by your consultant engineer.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the city council or appropriate governing board. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of said acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.

Mr. A.M. Thompson, Chairman
November 19, 2007
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10. Complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for service are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



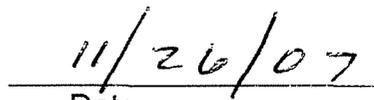
John E. Covington, III
Financial Analyst

Attachment

c: William Higdon, Southeast Daviess County Water District
Jim Riney, HRG, PLLC
Mr. Dirk Bedarff, Peck Shaffer & Williams, LLP
Mr. Dan Waits, State Local Debt Officer, GOLD

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.


Accepted


Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND C07-03)

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to: Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

ATTACHMENT A

Reviewer: John E. Covington, III
 Date: November 1, 2007
 Loan Number: C07-03

**KENTUCKY INFRASTRUCTURE AUTHORITY
 GOVERNMENTAL AGENCIES PROGRAM FUND (FUND "C")
 WEST DAVIESS COUNTY WATER DISTRICT, DAVIESS COUNTY
 PROJECT REVIEW
 WX21059022**

I. PROJECT DESCRIPTION

Construct a 500,000 gallon elevated water tank.

II. PROJECT BUDGET

Administrative Expenses	10,000	0.73%
Legal Expenses	1,000	0.07%
Planning	3,500	0.25%
Eng. Fees - Design	44,000	3.19%
Engineering Construction	11,000	0.80%
Eng. Fees - Insp. and Other	39,000	2.83%
Construction	1,192,389	86.49%
Contingency	59,619	4.32%
Other	18,200	1.32%
Total	1,378,708	100.00%

III. PROJECT FUNDING

KIA Fund C	1,173,708	85.13%
KIA CDF	205,000	14.87%
Total	1,378,708	85.13%

KIA Debt Service

Construction Loan	1,173,708
Interest Rate	3.0%
Loan Term	5
Estimated Annual Debt Service	127,270
Administrative Fee (0.2%)	2,347
Total Estimated Annual Debt Service	256,888

IV. PROJECT SCHEDULE

Bid Advertising: 9/14/2007
Bid Opening: 10/2/2007
Construction Start: 12/10/2007
Construction Stop: 6/10/2008

V. DEMOGRAPHICS/RATE STRUCTURE

CUSTOMERS

	Current	Proposed	Total
Residential	4,292	0	4,292
Commercial	129	0	129
Total	4,421	0	4,421

RATE STRUCTURE

Customer Charge

5/8" x 3/4" Meters \$1.49 per month
1" Meters \$3.73 per month
1 1/2" Meters \$7.46 per month
2" Meters \$14.93 per month

Usage Charge

First 20,000 Gallons \$3.21 per 1,000 gallons
Over 20,000 Gallons \$2.44 per 1,000 gallons

Bill for 4,000 Gallons \$14.33
Date of Last Rate Increase May 2000
Percent Increase 16%

CURRENT SYSTEM

West Daviess County Water District purchases water from Owensboro Municipal Utilities.

DEMOGRAPHICS

The District serves approximately 4,421 customers. The county has a population of 37,478 outside the city limits of Owensboro. The county's median age was 36.8 compared to 35.9 for Kentucky and 35.3 for the United States. There were 13,374 occupied housing units in the county outside the city limits of Owensboro. The county

had 70.3% owner occupied housing units with an average household size of 247. In 2000, the county's Median Household Income (MHI) level was \$36,813. The median household income for the Commonwealth is \$33,672.

VI. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the District was obtained from the audited financial statements of the West Daviess County Water District for the years ended June 30, 2004, 2005, 2006 and the 2007 District estimates

The District's balance sheet shows strong current ratios and percentages of revenues in receivables. The District currently does not have any long-term debt. The District has a significant balance in both investments and unrestricted net assets. The balance sheet indicates that the District can easily incur additional debt.

The District has consistently generates sufficient revenues to cover operating expenses and debt service requirements. In years 2003, 2005 and 2006 debt coverage ratios have been greater than 3 to 1 with 2006 being 16.18 to 1. The debt coverage ratio for 2004 is not a true reflection of operations; the amount of existing debt is overstated because the system retired debt. 2007 projections were provided by the District and compared to the 2007 operations through May. Revenues and expenses for 2008 through 2010 were increased based on the results from 2003 through 2006. Using these assumptions the system has debt coverage ratios of 1.06 in 2008, 1.08 in 2009 and 1.10 in 2010. 2008 is the first year with debt service for the new loan. This loan has a term of 5 years and these projections cover 60% of the life of the loan.

VII. DEBT OBLIGATIONS

None

VIII. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project</u>	<u>Funding Source</u>	<u>Year</u>	<u>Amount</u>
West Louisville Water Tank	KIA	2007	\$205,000
Waterline Ext./Loops	KIA	2005	\$215,000
Waterline Ext./Loops	KIA	2005	\$57,500
Panther Water Tank	KIA	2003	\$350,000

IX. CONTACTS

Applicant:

Name: West Daviess County Water District
Address: 3400 Bittel Road
Owensboro, Kentucky 42301

County: Daviess
Contact: William Higdon
Phone: (270) 685-5594

Applicant Contact:

Name: William Higdon
Address: West Daviess County Water
District
3400 Bittel Road
Owensboro, Kentucky 42301

Phone: (270) 685-5594

Engineer:

Name: Jim Riney
Address: HRG, PLLC
Post Office Box 535
Owensboro, Kentucky 42602

Phone: (270) 683-7558

X. RECOMMENDATIONS

KIA staff recommends approval of the loan.

WEST DAVIESS COUNTY WATER DISTRICT
BALANCE SHEETS

ASSETS	2003	2004	2005	2006
Current Assets				
Cash	69,881	244,502	226,571	147,123
Accounts Receivable	103,297	106,343	131,453	118,050
Investments	-	685,292	755,510	1,041,042
Interest Receivable	-	686	1,319	2,631
Prepaid Insurance	7,632	8,415	9,558	9,692
Inventory	88,402	78,565	76,318	79,096
Total Current Assets	269,212	1,123,803	1,200,729	1,397,634
Restricted Assets				
Cash - Revenue Fund	271,681	-	-	-
Cash - Depreciation Fund	19,407	18,301	31,831	75,532
Cash - Medical Reimbursement Fund	-	11,999	23,272	54,104
Accounts Receivable	6,862	284	794	57
Investments - Customer Deposits	620,768	-	59,190	63,465
Interest Receivable - Restricted Funds	1,265	-	-	252
Total Restricted Assets	919,983	30,584	115,087	193,410
Capital Assets				
Land	22,177	22,177	32,177	38,232
Water Plant	6,200,346	6,314,831	6,911,104	7,021,330
Construction in Progress	10,545	46,020	9,688	39,205
	6,233,068	6,383,028	6,952,969	7,098,767
Less Accumulated Depreciation	1,915,887	2,030,928	2,140,160	2,296,299
Net Capital Assets	4,317,181	4,352,100	4,812,809	4,802,468
Other Assets				
Unamortized Bond Discount & Issuance Cost	13,317	-	-	-
Total Assets	5,519,693	5,506,487	6,128,625	6,393,512
LIABILITIES				
Current Liabilities				
Accounts Payable	66,832	69,619	82,374	78,055
Accrued Pension	10,095	9,592	10,292	12,003
Accrued Scholl and Sales Taxes	6,069	6,357	7,657	3,390
Payroll Taxes and Withholding	5,176	5,270	6,348	6,035
Accrued Payroll	6,323	6,138	5,542	6,224
Current Liabilities Payable from Restricted Assets:				
Line of Credit	-	-	17,238	-
Accrued Interest	-	-	7	-
Matured Bond Interest Coupons	7,846	-	-	-
Accrued Bond Interest Payable	4,622	-	-	-
Current Portion of Long-Term Debt	75,000	-	-	-
Total Current Liabilities	181,963	96,976	129,458	105,707
Noncurrent Liabilities				
Customer Deposits	49,217	53,980	59,190	63,465
Total Current Liabilities	49,217	53,980	59,190	63,465
Long-Term Debt Net of Current Portion	160,000	-	-	-
Total Liabilities	391,180	150,956	188,648	169,172
NET ASSETS				
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,082,181	4,352,100	4,795,571	4,802,468
Restricted	907,514	30,584	55,897	193,410
Unrestricted	138,818	972,847	1,088,509	1,228,462
Total Net Assets	5,128,513	5,355,531	5,939,977	6,224,340
Total Liabilities and Net Assets	5,519,693	5,506,487	6,128,625	6,393,512
Balance Sheet Analysis				
Current Ratio	1.48	11.59	9.28	13.22
Debt to Equity	0.08	0.03	0.03	0.03
Percent of Operating Revenue in Receivables	9.91%	9.50%	10.92%	10.06%